



**Approval of South West Regulatory Authorities
agreed at the South West Energy Regulators'
Forum**

On

**South West Europe TSO's proposals for the
methodology for Coordinated Redispatching and
Countertrading and for Redispatching and
Countertrading Cost Sharing in accordance with
Articles 35(1) and 74(1) of Commission
Regulation (EU) 2015/1222 of 24 July 2015
establishing a guideline on capacity allocation
and congestion management**

15 May 2019

I. Introduction and legal context

Articles 35 and 74 of Commission Regulation (EU) 2015/1222 of 24 July 2015 establishing a guideline on capacity allocation and congestion management (hereinafter referred to as “CACM Regulation”) requires that no later than 16 months after the approval of the proposal of for capacity calculation regions (Article 15(1)), i.e. by March 2018, all TSOs in each capacity calculation region shall submit a proposal for the methodology for Coordinated Redispatching and Countertrading (hereinafter referred to as “RDCT methodology”) and for Redispatching and Countertrading Cost Sharing (hereinafter referred to as “Cost Sharing Proposal”).

Article 35 of CACM regulation, requires elaborating a RDCT methodology, which define how actions of cross-border relevance should be coordinated between the TSOs of each capacity calculation region to effectively relieve congestions. To that end, each TSO may redispatch any available generation unit or load through appropriate mechanisms applicable in its control area. TSOs are also required to assess for a future harmonization of redispatching and countertrading mechanisms established in the different CCRs. By January 2019 a report, assessing this possibility should be issued by each TSO of each region.

The above-mentioned Article 35 also requires generation and loads to provide to their relevant TSOs with the information required for calculating the costs for redispatching and countertrading. Final prices can be based on incurred costs or in prices of relevant markets.

On the other hand, Article 74 of CACM regulation requires TSOs to develop a cost sharing methodology for redispatching and countertrading actions of cross-border relevance. Determining which redispatching and countertrading costs are eligible for sharing between TSOs of a capacity calculation region, and how this costs will be shared, ensuring a fair cost distribution, incentivizing efficiency and allowing for an ex-post monitoring of the actual need and costs. This article also asks for a harmonization of the cost sharing methodologies between the different capacity calculation regions by December 2018.

In line with Article 20 of the CACM Regulation, South-west Europe (SWE) TSOs launched a public consultation from 24 January to 25 February 2018, on their proposals for RDCT methodology and Cost Sharing.

The RDCT methodology and Cost Sharing proposals developed by the SWE TSOs, were received by the last SWE Regularity Authority on the 16 March 2018, respecting the above mentioned deadline of 17 March 2018.

After a thorough analysis, SWE Regulatory Authorities agreed on 10 September 2018 to request some amendments on the proposed methodology. In particular about:

- *Reasons for not including redispatching coordination.*

- *Improvements of the definitions of requesting and assistant TSO.*
- *Need to incorporate in the methodology the high-level details of procedures for price estimation and final price calculation*
- *Clarification on the roles and responsibilities of RSC*
- *Clarifications on the procedures to be applied in case of detecting negative impacts on other CCRs.*
- *Rules for selecting RDCT actions, actual firmness deadlines for prices and volumes, and for the fast activation process.*
- *Tools for evaluating the accuracy of the estimations.*
- *Clarifications on the regional or individual grid models to be used.*
- *Explanations on the costs to be considered in the socialization principle.*
- *Possibility to introduce some polluter-pay principle instead of a universal socialization principle.*
- *Links between RDCT methodology and System Operations methodologies dealing with operational security analysis and coordination*

SWE TSOs submitted an amended version of the RDCT methodology and Cost Sharing proposals two months after the amendments were required. This second version was received by the last SWE Regularity Authority on the 13 November 2018.

After the assessment of this second version, SWE NRAs agreed on 11 January 2018 to request further amendments on the proposed methodology, some of them already treated in the previous Request for amendments. In particular about:

- *A greater commitment for a study to assess the efficiency of introducing redispatching.*
- *More involvement of RSC in the coordination of the countertrading*
- *RSC verification of the actual need for countertrading and the reasons for rejection or deviation from recommendations, and how RSC should proceed in cases where its recommendations are not followed by the requesting or assisting TSOs.*
- *Improved and more detailed procedures for price estimation and final cost calculation.*
- *Better clarification of the Fast Activation Process as a last resort measure, and ex-post control of its activation*
- *Definition of a Common Responsibility Zone for cost-sharing, and criteria for deciding which critical network elements are eligible to be included in it.*
- *More clarity on imbalancing costs and gains to be considered for cost sharing.*
- *Implementation of explicit comparison between forecasted and actual cost incurred for countertrading*

Finally on 15 March 2019 SWE TSOs submitted a second amended proposal version of the RDCT methodology and Cost sharing Proposals.

SWE welcomed this last amended version and the significant improvements adopted by SWE TSOs.

This document elaborates an agreement for the approval of the SWE Regulatory Authorities on the SWE TSOs proposal for RDCT methodology and for Cost Sharing Proposal, in accordance with Article 35(1) and 74(1) of CACM Regulation.

II. The SWE TSOs' Proposal

The SWE TSOs proposal package received in March 2019 contains four documents:

- a) The proposal for the methodology for Coordinated Redispatching and Countertrading ("RDCT methodology") in accordance with Article 35 of CACM regulation
- b) An explanatory note on the RDCT methodology, which incorporates further and more in-depth explanations.
- c) The proposal for Redispatching and Countertrading Cost Sharing ("Cost Sharing Proposal") in accordance with Article 74 of CACM regulation
- d) An explanatory note on the Cost Sharing Proposal

III. SWE Regulatory Authorities' position on RDCT and cost-sharing methodologies

The SWE Regulatory Authorities acknowledge that the final proposals submitted by SWE TSO has been significantly improved upon; especially in the clarification of the central role played by the RSC in the regular process for coordination, activation and identification of the most efficient countertrading actions, as well as in the introduction of an objective criteria for selecting critical network elements subject of cost-sharing

SWE Regulatory Authorities therefore consider that the SWE RDCT methodology and the Cost Sharing Proposal meets the requirements of Regulation 2015/1222.

However, for clarification purposes, SWE Regulatory Authorities underline the following considerations that represent the understanding and interpretation of the methodologies when issuing their decision:

Regarding the RDCT methodology:

- In Art 2.2.b, the 'Requesting TSO' should be understood as
 - the TSO which initiates the Coordinated Countertrading process during the Fast Activation Process; or
 - the TSO responsible for the real time operation of the Control Area to which belongs the CNE on which a constraint was detected during the security analysis coordinated by the RSC .
- The references made in Art. 13.2 on applying the present methodology "according to Articles 6(5), 7(3), 10(3), 10(5), 10(7) and 11(1)" should indeed be understood as "according to Articles 6(5), 7(3), 10(3), 10(6) and 11(1)"
- The final part of Article 10(6) must be understood as: "The selection process of the countertrading actions in each control area shall be described in a transparent way in the Coordinated Countertrading procedure of Participating TSOs as specified in Article 3(2)."

Regarding the Cost Sharing Methodology:

In article 8.3, the requester-pays principal is to be understood as a rule by which the costs of the RDCT are solely borne by the TSO responsible for the Control Area where the constrained CNE is located.

IV. Actions / conclusion

SWE Regulatory Authorities welcome the submitted SWE RDCT methodology and the Cost Sharing Proposal and the significant improvements adopted by SWE TSOs.

All Regulatory Authorities have assessed, consulted and closely cooperated and coordinated to reach an agreement before 16 May 2019, about the submitted methodologies for RDCT methodology and for Cost Sharing Proposal, which meets the requirements of Article 35(1) and 74(1) of Regulation 2015/1222 and as such can be approved by SWE Regulatory Authorities

SWE Regulatory Authorities therefore will issue their national decisions, on the basis of this agreement.

Following national decisions by SWE Regulatory Authorities, SWE TSOs will be required to publish the SWE RDCT methodology and the Cost Sharing Proposal on the internet in line with Article 9.14 of Regulation 2015/1222, and must meet the implementation deadlines required by Article 14 of the SWE RDCT Methodology proposal, and Article 13 of the Cost Sharing Proposal.